



*From earthmoving to e-commerce, clean diesel powers the world*

February 8, 2002

California Power Authority  
901 P Street, Suite 142 A  
Sacramento, CA 95814

**IN RE:               Comments of the Diesel Technology Forum on Draft Energy Resource  
Investment plan of the California Consumer Power and Conservation  
Financing Authority.**

The Diesel Technology Forum appreciates the opportunity to present these comments on the Draft Energy Resource Investment plan ("plan") of the California Consumer Power and Conservation Financing Authority.

The Diesel Technology Forum is a non-profit organization dedicated to promoting clean diesel technology. Members of the Forum include the nation's leading manufacturers of diesel engines, fuels, emissions treatment systems and related components. Diesel Technology Forum Members include BP, Caterpillar, Cummins, Detroit Diesel, ExxonMobil, and Isuzu; all of which are principal manufacturers of diesel engines or diesel fuels used in back-up and prime power generation in the state of California.

\* \* \* \* \*

CPA's draft investment strategy identifies that Californians desires are reflected in the Governor's goal of 13 % renewable energy sources by 2013. It is also reasonable to assume that Californians also value reliable and affordable and uninterrupted electrical power. The CPA must effectively balance the long-term goals with short-term realities in its plan.

We are seriously concerned about the tone, rationale and basis for the comments made by CPA in this Draft Document regarding diesel-power generation. CPA has proposed an investment policy and funding recommendations that are neither fully realistic nor suited to past experiences and future needs to adequately carry out its legislative mandate. Moreover, CPA has failed to provide any factual or quantitative information as the basis of its proposed investment decisions and policy recommendations.

CPA must significantly alter its plan to include future funding for current generation clean diesel technology for electric power generation. Failing to do so is contrary to the legislative mandate and will endanger public health and safety.

#### **CPA's Plan is Contradictory to the Legislative Mandate**

One of the mandates of the CPA is to "Protect public health, welfare and safety." (PUC Code Sec 3300). Given the vital importance and mandate by federal and state health, safety and welfare codes, as presently drafted, the CPA Draft Investment plan proposes to eliminate funding for diesel powered generators based on unsubstantiated and erroneous comments that are inconsistent with the findings of other California Government Agencies.

CPA's proposed strategy to "not include diesel generators in any form" will in fact endanger public health and safety by failing to assure adequate diesel power capacity in the event of natural and man-made disasters.

The CPA makes no fact-based analysis of the ability of other sources of energy to provide for adequate public health and safety in the absence of further investments in diesel technology. A "no future funding" scenario could be interpreted to suggest that existing diesel equipment will not receive proper maintenance, funding or overhauling. Failing to preserve these diesel-powered electric generation units are unacceptable and a waste of taxpayer and ratepayer dollars.

**Plan comments regarding Diesel Engines are without basis and contradictory to other California Agencies**

Comments made regarding diesel engines (page 14 paragraph 2) in the draft plan are unjustified and are contradictory to those comments made by the head of the California Air Resources Board and the California Energy Commission:

"We do not include diesels in any form (bio-diesel is still diesel and there is no such thing as "clean diesel."). Our funding and policy recommendations are designed to eliminate diesel generators so new sources can replace them over time. The reason is straightforward – air quality agencies know that diesel fuels are bad for public health."

The California Environmental Protection Agency (CalEPA) and the California Air Resources Board are the primary agencies in California charged with protecting the environment, air quality and public health. As such, neither of these agencies has banned the use of diesel powered back-up generators, nor any other equipment for that matter.

These agencies have established requirements for the emissions performance of new and existing diesel generators, lending to and clearly affirming the future role of diesel powered generators in providing electrical power generation in California. The CPA's flippant assertions that "air quality agencies know that diesel fuels are bad for public health" and that "there is no such thing as clean diesel" are not only egregious but are erroneous as well. Moreover, as presently included, the comments regarding air quality and public health and emissions performance of diesels are far outside the scope of the CPA and this plan, and must be retracted. With what confidence can consumers and other elected officials rely on the CPA to make sound decisions about power investments given the unjustified language in this plan? By doing so, it dramatically diminishes the validity and credibility of not only this report, but the CPA in general.

**The CPA Plan Ignores the Experience of the recent power crisis and Public Health and Safety Value provided by Diesel-Powered Generators in Meeting short-term and emergency needs**

In its plan, the CPA appears to have forgotten the situation facing California less than one year ago. At that time, the state was experiencing rolling blackouts due to failed power policies and real shortages in supply. Diesel-powered generators kept emergency systems operating such as telecommunications, public water and treatment plants, traffic controls and hospitals

power supplies. Businesses installed banks of back-up generators to maintain operations; municipal governments rented stand-by rental power to assure continuity of critical services.

Similarly during periods of earthquakes and other natural disasters over the last three decades, diesel generators provided an essential and critical service to maintain mission-critical state and local government systems. As much as the CPA is focused on and optimistic about the future for renewable energy, at the same time CPA must be realistic in nearer term and longer-term power supply under a full range of conditions.

A future power investment policy that does not include continued and appropriate levels of funding for new diesel-powered generation systems to assure a continued capacity in this area is a fatally flawed policy that is bound to fail.

### **The CPA Plan makes No Effort to Objectively Evaluate Advanced Clean Diesel Technology Generation Systems**

CPA must make provisions for continued investments in advanced, clean diesel power generation technologies. Advances in diesel engine emissions control, the use of cleaner diesel fuel and the increasing use and availability of emissions treatment systems (Selective Catalytic Reduction), make the current and future generations as much as 50 percent cleaner than older technology.

The state-of-the-art diesel-powered electrical generators have significantly lower emissions today than those of the last 10 or 20 years, yet the CPA makes no effort to identify or quantify these emissions improvements and fairly compare these emissions to those of other sources, such as natural gas or other generation systems.

### **Failure to include Investments in Diesel-Powered Electrical Generation is Contrary to CPA market Findings**

One of the findings of the CPA in reviewing the California electricity market situation is that there is "inadequate fuel diversity...There is a need for diversifying the fuel mix to put more emphasis on conservation and renewables and less emphasis on natural gas."

Making the investments to maintaining a stable of advanced generation clean diesel technology generators that use clean diesel fuel and have advanced emissions filters installed would provide an important energy diversity asset to the CPA, yet the CPA proposed policy is to eliminate diesel generators.

One major asset of diesel power generation is that it can be tailored to meet the power demands of the moment. Individual unit diesel generators can be joined in sequence to provide exactly the right amount of power for a minimum capital investment. Considering the capital investments needed for the large single unit generators that may not be needed at full capacity all the time, continued investments in multiple individual units of diesel powered electrical generators make economic and practical sense. The portability of diesel generation is also an important asset that is consistent in being a potential relief for the transmission constraints identified in the draft plan. Banks of diesel generators can be quickly staged in areas experiencing transmission problems and increased demands.

### **The CPA Plan Endangers Public Health and Safety by Failing to Include Continuing Investments in Diesel Power Generation**

The CPA plan is shortsighted by failing to make any additional investments in current or future generation clean diesel technology generators. Both federal and state laws require emergency generators to protect public health and safety. Some specifically stipulate that these generators must reach full power within ten seconds of a power failure. Only diesel generators meet that criteria and are powerful enough to keep the electricity flowing in hospitals, nursing homes, drinking water and sewage systems, and to provide continuous fire and police services as well as building safety in the form of working elevators, sprinkler systems, and other emergency equipment.

While we the CPA's direction toward renewable technologies is within its mandate, the CPA must also recognize and be realistic in its assessment of the timing, availability and performance of those technologies to meet the needs of the state's power demands, in all conceivable circumstances and conditions, both within its control and beyond its control. For many of those circumstances, diesel-powered electrical generators are the technology of choice to handle the load and responsiveness demands of many critical applications across the state that directly ensure environmental and public health, welfare and safety of the citizens of the State of California.

## RECOMMENDATIONS

The CPA's plan with regard to diesel powered electrical generators is inaccurate, improper and irresponsible in its present form. The language regarding diesel-generated electrical power is entirely out of place in a report paid for by taxpayers and ratepayers. In their present form, the specific comments and section regarding diesel technology undermines the credibility and integrity of the CPA.

Therefore, the CPA must make significant modifications to its Draft Investment Strategy and the Plan that outlines that strategy. As follows, the CPA must

1. Alter its approach to include **continued future investments in diesel generation electrical power systems to assure adequate reliable power under all reasonable conditions and circumstances**, such as natural and man-made disasters, and conditions of extreme load demand where diesel generators serve as "peaking units."
2. In addition to (1) above, **assure the adequate operation, maintenance and utilization of existing diesel powered electrical generators and make continued future investments** to assure the proper manufacturers-recommended care and maintenance of these generators so that they are able to continue to perform the prescribed function.
3. Revise its draft plan language to accurately and objectively describe the current state of regulation and policy in California with regard to diesel-powered generators. In its present form, the language regarding diesel generators as noted above is arbitrary and capricious and without basis in fact. Such language and policy serves to seriously diminish the levels of integrity and credibility of the California Power Authority and its Resource Investment Plan.

We appreciate the opportunity to present these comments and would be happy to answer any questions.



2/11/02

Sincerely,  
Allen R. Schaeffer  
Executive Director  
Diesel Technology Forum

Cell 301-514-9046  
Washington DC office 202-589-2726